

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2917 - HB 3395

February 2, 2012

SUMMARY OF BILL: Authorizes a tax credit, to apply against sales and use tax or franchise and excise tax, equal to 20 percent of expenditures incurred, by a qualified purchaser, in connection with the purchase and installation of solar panels, and any other necessary solar energy technology and equipment, as determined by the Department of Revenue (DOR). Defines “qualified purchaser” to mean any business entity that purchases solar panels and related technology and equipment for installation and use in a private residence or commercial enterprise in this state. Requires qualified purchaser to submit an application to DOR on a form prescribed by the Commissioner. Authorizes the Commissioner of Revenue to promulgate rules and regulations.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$3,156,000

Assumptions:

- Based on the quantity of solar collectors shipped to Tennessee in 2009 per Energy Information Administration data, recent sales growth of solar collectors, and information provided by the Department of Revenue (DOR), taxable sales of solar collectors are estimated to be \$13,150,000 in FY12-13.
- Sixty percent of estimated taxable sales (or \$7,890,000) is assumed to represent solar panel purchases made by business entities meeting the definition of qualified purchaser.
- Taxable sales of solar panels purchased by business entities meeting the definition of qualified purchaser represent 50 percent of total expenditures incurred by qualified purchasers. As a result, total qualified expenditures incurred by qualified purchasers are estimated to be \$15,780,000 (\$7,890,000 / 50.0%) in FY12-13. This estimate reflects expenditures for installation, hardware, and all necessary equipment. This number is assumed to remain constant in subsequent years.
- The recurring decrease in state revenue is estimated to be \$3,156,000 (\$15,780,000 total qualified expenditures x 20% tax credit).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/rnc